

CITY OF BENTON

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD
DECEMBER 1, 2015 THROUGH MAY 31, 2016**

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City of Benton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2016)</u>		
Robert Haley	Mayor	Jan 2016
Bobby Joe Haley	Council Member	Jan 2016
Joan Stringham	Council Member	Jan 2016
Richard Swank	Council Member	Jan 2016
Mary Swank	City Clerk	Indefinite
<u>(After January 2016)</u>		
Don Zollman	Mayor	Jan 2018
Linda Barber	Council Member	Jan 2018
Daron Richie	Council Member	Jan 2018
Don Hove	Council Member	Jan 2018
Mary Swank	City Clerk	Indefinite



Independent Accountant's Report on the Status of Periodic
Examination Findings and Recommendations

To the Honorable Mayor
and Members of City Council:

Faller, Kincheloe & Co, PLC issued a Periodic Examination Report dated September 15, 2014 on the City of Benton, Iowa covering the period July 1, 2013 through June 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated September 15, 2014 and the current status of the City's implementation of the recommendations included in that report.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Benton and other parties to whom the City of Benton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Benton during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Faller, Kincheloe & Co, PLC

October 17, 2016

CITY OF BENTON

Report on the Status of Periodic Examination Findings and Recommendations

Findings Reported in the Periodic Examination Report dated September 15, 2014:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparing and distribution.
5. Financial reporting – preparing and reconciling.
6. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

Current Status – Partially corrected. One of the City Council members reconciles the bank statements.

(B) City Council Minutes – The minutes of City Council proceedings were not posted. In addition, the list of claims allowed, total disbursements from each City fund, and a summary of receipts were not posted. All the above is required by Chapter 372.13(6) of the Code of Iowa.

The City does not post an agenda for the City Council meetings, as required by Chapter 21.4 of the Code of Iowa.

Recommendation – The City should comply with Chapter 372.13(6) and Chapter 21.4 of the Code of Iowa. The City should ensure the minutes are posted in three public places. In addition, the City should ensure that the minutes posted include a list of all claims allowed, total disbursements from each City fund, and a summary of receipts as required. Also, the City should post an agenda for the City Council meetings, as required.

Current Status – Corrected. The minutes are posted and include a list of all claims allowed, total disbursements from each City fund, and a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. The City also posts an agenda for each City Council meetings as required by the Code of Iowa.

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Report on the Status of Periodic Examination Findings and Recommendations

- (C) Notices – No evidence could be found that the City’s ordinances document three public places in the City which have been permanently designated by ordinance, as required by Chapter 362.3 and 372.13(6) of the Code of Iowa in relation to the posting of public notices.

Recommendation- The City should implement procedures to ensure the City documents three public places by ordinance, as required by Chapter 362.3 and 372.13(6) of the Code of Iowa.

Current Status – Not corrected. The City Council passed Resolution 011126-2 naming three public places to post public notices, but did not permanently designate them by ordinance as required by the Code of Iowa.

- (D) Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Current Status – Not corrected. The recommendation is repeated.

- (E) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

Current Status – Partially corrected. A depository resolution was passed by the City Council, but it does not specify the amount authorized to be deposited at each institution.

- (F) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank account.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Current Status – Corrected. The City receives the front and back of cancelled checks in their bank statements.

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Report on the Status of Periodic Examination Findings and Recommendations

- (G) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The City of Benton’s budget was adopted by motion of the City Council. Chapter 384.16(5) of the Code of Iowa states, in part, “... the Council shall adopt by resolution a budget...”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, the budget should be adopted by resolution of the City Council in accordance with Code of Iowa requirements.

Current Status – Partially corrected. Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted. However, the City’s June 30, 2016 budget was adopted by motion of the City Council and not by resolution.

- (H) Accounting Records - The City Council does not receive a monthly Clerk’s report which shows receipts, disbursements, transfers and balances for each fund and in total. There was no evidence the cash and investment balances in the City’s general ledger were reconciled to the bank and investment account balances throughout the year.

Recommendation – We recommend the City Clerk provide a Clerk’s report to the City Council every month. In addition, the City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

Current Status – Corrected. The Clerk prepares a monthly Clerk’s Report which is given to the City Council to review. The report includes receipts, disbursements, transfers (if any), and beginning and ending balances for each fund and in total. The report also shows the City’s expenses by function and the bank statement balance is reconciled and agrees to the Clerk’s Report each month.

- (I) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

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Report on the Status of Periodic Examination Findings and Recommendations

Current Status – Corrected. The Clerk's Report shows the City is following the Uniform Chart of Accounts.

- (J) Disbursements – There was no indication that invoices were approved by the City Council.

Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for eleven disbursements tested could not be located.

Recommendation – All invoices should be approved by the City Council. All disbursements should also be supported by invoices or other supporting documentation.

Current Status – Corrected. For the fifteen disbursements tested, each disbursement was adequately supported and authorized by the City Council.

- (K) Local Option Sales Tax - Based on the requirements of the local option sales tax ballot, it appears the City owes additional monies to Ringgold County for jail related costs.

Recommendation - The City should implement procedures to ensure all monies due to Ringgold County are paid to Ringgold County.

Current Status – Corrected. The City sends Ringgold County fifty percent of the Local Option Sales Tax receipts each month for jail related costs.

- (L) Payroll – Social Security and Medicare payroll taxes are not paid for the Mayor, City Council members and the City Clerk.

The City Clerk could not locate City Council approval of the wage rate for the City Clerk.

No documentation could be located which establishes the Mayor and City Council salary by ordinance, as required by Chapter 372.13(8) of the Code of Iowa.

A 1099-Miscellaneous form was not filed with the Internal Revenue Service (IRS), as required.

Recommendation – Social Security and Medicare tax should be paid for the Mayor, City Council members, and the City Clerk. All approved wage rates should be documented in the City Council minutes. Also, the Mayor and City Council salary should be established by ordinance as required by Chapter 372.13(8) of the Code of Iowa. In addition, 1099-Miscellaneous forms should be filed with the IRS, as required.

Current Status – Not corrected. The recommendation is repeated.

CITY OF BENTON

Report on the Status of Periodic Examination Findings and Recommendations

(M)Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mary Swank, City Clerk Mother of Mike Swank	Mowing services	\$465

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

Current Status – Corrected. There were no business transactions between the City and City officials or employees for the six months ending May 31, 2016.